

Bell Atlantic Network Services, Inc.  
1133 Twentieth Street, N.W.  
Suite 800  
Washington, DC 20036  
202 392-1187

Gerald Asch  
Director/FCC Relations

EX PARTE OR LATE FILED

DOCKET FILE COPY ORIGINAL

October 7, 1996

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street NW - Room 222  
Washington, D.C. 20554

RECEIVED

OCT - 7 1996

Federal Communications Commission  
Office of Secretary

Re: **Ex Parte Meeting**  
**CC Docket No. 96-45, Federal-State Joint Board on**  
**Universal Service**

Dear Mr. Caton:

On October 4, 1996, Edward D. Young, III, Vice President - External Affairs and Associate General Counsel, provided to the members of the Federal-State Joint Board on Universal Service: Chairman Hundt; Commissioner Chong; Commissioner Ness; Ms. S. Nelson, Chairman, Washington Utilities and Transportation Commission; Ms. L. Schoenfelder, Commissioner, South Dakota Public Utilities Commission; Ms. J. Johnson, Commissioner, Florida Public Service Commission; Mr. K. McClure, Vice Chairman, Missouri Public Service Commission; and, Ms. M. Hogerty, Office of the Public Counsel, Missouri, via U.S. mail, information on Bell Atlantic's Universal Service Education Plan. Specifically, information reflecting the estimate for the plan that includes wiring for the classroom.

An original and a copy of this ex parte, which includes a copy of the letters sent to the members of the Federal-State Joint Board on Universal Service, are being filed in the office of the Secretary today, October 7, 1996. Please include it in the public record of this proceeding.

Respectfully submitted,



Gerald Asch  
Director - FCC Relations

No. of Copies rec'd  
List A B C D E

*02*

Bell Atlantic Network Services, Inc.  
One Bell Atlantic Plaza  
1310 North Court House Road, 11th Floor  
Arlington, Virginia 22201  
703 974-1200  
FAX 703 974-8261  
E-Mail: edward.d.young@bell-atl.com

**Edward D. Young, III**  
Vice President - External Affairs and  
Associate General Counsel

October 4, 1996

The Honorable Reed E. Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, N.W.  
Room 814  
Washington, D.C. 20554

Dear Chairman Hundt:

During my testimony before the Federal-State Joint Board on Universal Service on June 21, 1996, during the question and answer portion of the meeting, I was asked to estimate the end-user monthly surcharge necessary to implement Bell Atlantic's Universal Service Education Plan, *if* that plan were to include inside wiring for classrooms. Although our plan did not include inside wire, I replied that the monthly surcharge would be approximately 80 cents per end-user bill.

Based on subsequent discussions with members of the Joint Board, I am providing you with the information that reflects how that estimate was derived. I thank you for the opportunity to share Bell Atlantic's views on implementing a meaningful and generous approach to Universal Service as it applies to schools and libraries.

Please contact me at 703 974-1200 if you have any questions or require additional information.

Sincerely,



Q: What would the charge on each end-user bill to fund the inside the school connections and outside the school connections (ie, telecom and inside wire) discounts we talked about in the "purchasing power" approach ?

A: The estimate of 80-cents per end-user bill each month was offered orally. It was derived from the following back-of-the-envelope calculations.

a. Estimated Costs for Connecting Public Schools  
Connections

	Inside	Outside	Total	
Startup costs(\$B)	5.025	1.715	6.74	(From McKinsey report, pg 57)
Recurring costs	0.41	1.03	1.44	"

b. Phased in startup and operations at public schools

	-----Years-----					
	1997	1998	1999	2000	2001	Total
Ramp up of recurring costs(\$B)	0.288	0.576	0.864	1.152	1.44	4.32
Spread startup costs	1.348	1.348	1.348	1.348	1.348	6.74

(The idea is that about 20% of the startup would be done in each of the 5 years. A flash cut of all schools being wired in the same year would necessitate a massive balloon payment in the \$billions all in a single year and be unworkable. Thus assume 20% of schools would start incurring the recurring costs -- as they became "inside wired".)

c. Adjust to include Private Schools

Total recurring costs (\$4.32B) inflated by 40% yeilds \$6.048B

Total startup costs (\$6.74B) inflated by 40% yeilds \$9.436B

(There are about 125,000 k-12 schools in total, of which 85,000 are public schools. The McKinsey estimates were based only on public schools.)

d. Apply discount assumptions

Total "discount" assumption is 75% for startup costs and 50% for recurring costs.

Cost of startup discount is 75% times \$9.436B, or \$7.077B

Cost of recurring discount is 50% times \$6.048B, or \$3.024B

For a total public and private schools discount of \$10.101B over the 5 years.

(75% and 50% discounts were the policy parameters that the Joint Board might select.)

e. Per end-user bill surcharge

First step; an estimate of the number of monthly end-user telecom bills by the year 2000.

In 1994, there were 142m switched access lines, assume that grows to 150m by 2000.

(These lines are assumed to be billed on about 130m bills today and 140m bills by 2000)

In 1996, there were 30m cellular lines. The growth rate has been 50%/yr, but assume it slows to about 30%/yr for cellular and PCS combined. Thus in 2.5 years (midpoint of the period), there would be about 22.5m additional lines for a total of 52.5m cellular&PCS lines. Assume one bill per "line".

As well there will be millions of separately billed long distance bills. Thus as a ballpark, we can foresee at least 200 million separate end-user bills each month.

And over a 5 year timeframe there would be  $5 \times 12 \text{ months} \times 200\text{m bills} = 12 \text{ billion bills}$

Second step; finding the per-end-user bill surcharge.

$\$10.101\text{B} \text{ divided by } 12 \text{ billion bills} = \$0.84175$ , or roughly 80 cents.

results in a per-bill surcharge of  $\$0.84175$  -- roughly 80 cents.

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**Edward D. Young, III**  
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October 4, 1996

The Honorable Rachelle B. Chong  
Commissioner  
Federal Communications Commission  
1919 M Street, N.W.  
Room 844  
Washington, D.C. 20554

Dear Commissioner Chong:

During my testimony before the Federal-State Joint Board on Universal Service on June 21, 1996, during the question and answer portion of the meeting, I was asked to estimate the end-user monthly surcharge necessary to implement Bell Atlantic's Universal Service Education Plan, *if* that plan were to include inside wiring for classrooms. Although our plan did not include inside wire, I replied that the monthly surcharge would be approximately 80 cents per end-user bill.

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A handwritten signature in black ink, appearing to read "Ed D. Young", with a stylized flourish extending from the end.

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**Edward D. Young, III**  
Vice President - External Affairs and  
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October 4, 1996

The Honorable Susan Ness  
Commissioner  
Federal Communications Commission  
1919 M Street, N.W.  
Room 832  
Washington, D.C. 20554

Dear Commissioner Ness:

During my testimony before the Federal-State Joint Board on Universal Service on June 21, 1996, during the question and answer portion of the meeting, I was asked to estimate the end-user monthly surcharge necessary to implement Bell Atlantic's Universal Service Education Plan, *if* that plan were to include inside wiring for classrooms. Although our plan did not include inside wire, I replied that the monthly surcharge would be approximately 80 cents per end-user bill.

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**Edward D. Young, III**  
Vice President - External Affairs and  
Associate General Counsel

October 4, 1996

The Honorable Sharon Nelson  
Washington Utilities and Transportation Commission  
Chandler Plaza Building  
P.O. Box 47250  
Olympia, Washington 98504-7250

Dear Chairman Nelson:

During my testimony before the Federal-State Joint Board on Universal Service on June 21, 1996, during the question and answer portion of the meeting, I was asked to estimate the end-user monthly surcharge necessary to implement Bell Atlantic's Universal Service Education Plan, *if* that plan were to include inside wiring for classrooms. Although our plan did not include inside wire, I replied that the monthly surcharge would be approximately 80 cents per end-user bill.

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October 4, 1996

The Honorable Laska Schoenfelder  
South Dakota Public Utilities Commission  
State Capitol  
500 East Capitol  
Pierre, South Dakota 57501-5070

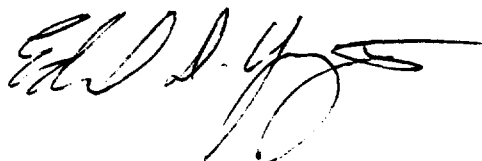
Dear Commissioner Schoenfelder:

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The Honorable Julia Johnson  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Gerald Gunter Building  
Tallahassee, Florida 32389-0850

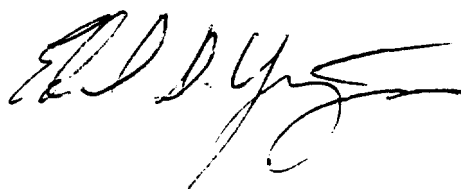
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Missouri Public Service Commission  
P.O. Box 360  
Truman State Office Building  
Jefferson City, Missouri 65102

Dear Commissioner McClure:

During my testimony before the Federal-State Joint Board on Universal Service on June 21, 1996, during the question and answer portion of the meeting, I was asked to estimate the end-user monthly surcharge necessary to implement Bell Atlantic's Universal Service Education Plan, *if* that plan were to include inside wiring for classrooms. Although our plan did not include inside wire, I replied that the monthly surcharge would be approximately 80 cents per end-user bill.

Based on subsequent discussions with members of the Joint Board, I am providing you with the information that reflects how that estimate was derived. I thank you for the opportunity to share Bell Atlantic's views on implementing a meaningful and generous approach to Universal Service as it applies to schools and libraries.

Please contact me at 703 974-1200 if you have any questions or require additional information.

Sincerely,



Q: What would the charge on each end-user bill to fund the inside the school connections and outside the school connections (ie, telecom and inside wire) discounts we talked about in the "purchasing power" approach ?

A: The estimate of 80-cents per end-user bill each month was offered orally. It was derived from the following back-of-the-envelope calculations.

a. Estimated Costs for Connecting Public Schools  
Connections

	Inside	Outside	Total	
Startup costs(\$B)	5.025	1.715	6.74	(From McKinsey report, pg 57)
Recurring costs	0.41	1.03	1.44	„

b. Phased in startup and operations at public schools

	-----Years-----					
	1997	1998	1999	2000	2001	Total
Ramp up of recurring costs(\$B)	0.288	0.576	0.864	1.152	1.44	4.32
Spread startup costs	1.348	1.348	1.348	1.348	1.348	6.74

(The idea is that about 20% of the startup would be done in each of the 5 years. A flash cut of all schools being wired in the same year would necessitate a massive balloon payment in the \$billions all in a single year and be unworkable. Thus assume 20% of schools would start incurring the recurring costs -- as they became "inside wired".)

c. Adjust to include Private Schools

Total recurring costs (\$4.32B) inflated by 40% yeilds \$6.048B

Total startup costs (\$6.74B) inflated by 40% yeilds \$9.436B

(There are about 125,000 k-12 schools in total, of which 85,000 are public schools. The McKinsey estimates were based only on public schools.)

d. Apply discount assumptions

Total "discount" assumption is 75% for startup costs and 50% for recurring costs.

Cost of startup discount is 75% times \$9.436B, or \$7.077B

Cost of recurring discount is 50% times \$6.048B, or \$3.024B

For a total public and private schools discount of \$10.101B over the 5 years.

(75% and 50% discounts were the policy parameters that the Joint Board might select.)

e. Per end-user bill surcharge

First step; an estimate of the number of monthly end-user telecom bills by the year 2000.

In 1994, there were 142m switched access lines, assume that grows to 150m by 2000.

(These lines are assumed to be billed on about 130m bills today and 140m bills by 2000)

In 1996, there were 30m cellular lines. The growth rate has been 50%/yr, but assume it slows to about 30%/yr for cellular and PCS combined. Thus in 2.5 years (midpoint of the period), there would be about 22.5m additional lines for a total of 52.5m cellular&PCS lines. Assume one bill per "line".

As well there will be millions of separately billed long distance bills. Thus as a ballpark, we can foresee at least 200 million separate end-user bills each month.

And over a 5 year timeframe there would be  $5 \times 12 \text{ months} \times 200\text{m bills} = 12 \text{ billion bills}$

Second step; finding the per-end-user bill surcharge.

$\$10.101\text{B divided by } 12 \text{ billion bills} = \$.84175$ , or roughly 80 cents.

results in a per-bill surcharge of  $\$.84175$  -- roughly 80 cents.

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**Edward D. Young, III**  
Vice President - External Affairs  
and Associate General Counsel

October 4, 1996

Ms. Martha Hogerty  
Public Counsel  
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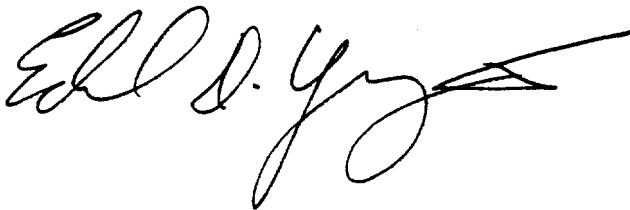
Dear Ms. Hogerty:

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A handwritten signature in black ink, appearing to read "Ed D. Young", with a stylized flourish at the end.

Enclosure

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